

The Insolvency Act 1986

Administrator's progress report**R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

| | |
|--|--------------------------------|
| Name of Company Kelvinkit Limited (in administration) | Company number SC197862 |
|--|--------------------------------|

(a) Insert full name(s)
and address(es) of
administrator(s)

We (a) Blair Carnegie Nimmo and Gary Steven Fraser

Joint Administrators of the above company attach a progress report for the period

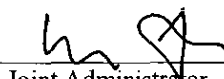
from

to

(b) 5 February 2007

(b) 4 August 2009

Signed


 Joint Administrator

(b) Insert dates

Dated

13/10/09

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

KPMG LLP, 191 West George Street, Glasgow, G2 2LJ

Tel 0141 226 5511

DX Number

DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 37 Castle Terrace, Edinburgh EH1 2EB
235 Edinburgh / LP 4 Edinburgh-2

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14/10/2009

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COMPANIES HOUSE



**Kelvinkit Limited
(in administration)**

**Joint Administrators' progress report to
creditors pursuant to Rule 2.38 of the
Insolvency (Scotland) Rules 1986
13 October 2009**

KPMG LLP

13 October 2009

This report contains 11 Pages

sdw/ac/982



*Joint Administrators' progress report to creditors pursuant to Rule 2.38 of the Insolvency
(Scotland) Rules 1986*

KPMG LLP

13 October 2009

Notice: About this Report

This Report has been prepared by Blair C Nimmo and Gary S Fraser, the Joint Administrators of Kelvinkit Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context. This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Kelvinkit Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk.

To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person. Blair C Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Scotland. Gary S Fraser is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in Scotland. The Joint Administrators act as agents for Kelvinkit Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.

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1 Introduction

We, Blair Carnegie Nimmo and Gary Steven Fraser of KPMG LLP, were appointed Joint Administrators of Kelvinkit Limited ("the Company") on 5 February 2007.

We were appointed by the directors of the Company pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 following the lodgement of a Notice of Appointment at the Court of Session.

A receipts and payments account for the period 5 February 2007 (the date of appointment) to 4 August 2009 is attached at Appendix 2. This shows funds on hand totalling £146,735.71.

2 Extension to initial period of appointment

The Administration period was extended by order of the Court of Session until 5 February 2010 in order to allow sufficient time to investigate the potential recoverability of the inter-company debt due and to allow for the finalisation of outstanding statutory matters.

3 Progress to date including realisation of assets

3.1 Inter-company debt

Due to the level of the secured lender's direct claim against Kelvin Homes Limited (in administration) ("KHL"), it now appears highly unlikely that any recovery of the inter-company debt of £1.3 million due to the Company from KHL will be made.

There remain no other Company assets to be realised.

4 Amounts payable to secured creditors, preferential creditors and the floating charge holder

4.1 Secured lenders

HSBC Bank plc's ("the Bank") direct claim against the Company at the date of the appointment amounted to £547,115. The Company had also granted a guarantee for sums due by KHL to the Bank. Taking into account the additional sums due under the cross guarantee, the Bank's total claim against the Company at the date of appointment amounted to £5,184,664. It should be noted that interest continues to accrue on this balance. The Bank's claim is secured by way of a floating charge.

4.2 Preferential creditors

The Company's preferential creditors have been finalised and are as follows:-

Figure 1: Preferential creditors

| | £000 |
|-------------------------------------|-------|
| Employees – arrears of salary/wages | 1 |
| Employees – accrued holiday pay | 0 |
| | <hr/> |
| | 1 |
| | <hr/> |
| <i>Source: KPMG records</i> | |

We are taking steps to finalise settlement of the preferential creditor claims.

5 Prescribed part of the Company's net property pursuant to Section 176A of the Insolvency Act 1986

The Bank's floating charge was granted prior to 15 September 2003. Therefore s.176A is not applicable and there will be no prescribed part of the Company's net property available for unsecured creditors.

6 Dividend prospects for creditors

As previously advised, there will be no dividend payable to ordinary creditors of the Company in this case.

7 Creditors' meeting

In accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986, the Administrators held the initial meeting of the creditors of the Company on 13 April 2007.

The Joint Administrators' proposals were approved at this meeting and a Creditors' Committee was formed.

As previously advised, the Creditors' Committee has audited and approved both our receipts and payments and our remuneration of £127,500.00 plus outlays of £1,520.85 (both excluding VAT) in respect of the period from 5 February 2007 to 6 September 2007. This compared to our time costs of £192,042.50 to 6 September 2007, which were restricted at that time due to the level of realisations in the Administration.

No further fee has been drawn to date.

8 Joint Administrators' fees

We enclose, at Appendix 3, an analysis of our time and costs properly incurred in the period from 5 February 2007 to 4 August 2009 in attending to the significant amount of work required in this case. In this period, a total of 1083.6 hours were spent by our firm's staff at a total cost of £227,758.00.

In addition, expenses of £1,524.18 were incurred by our firm's staff in this period.

I would advise that the Joint Administrators' further fees and disbursements will be subject to approval by the Creditors' Committee in due course.

For your information, I would advise that a creditors' guide to fees can be found at:-

<http://www.r3.org.uk/uploads/sip/SIP9%20Scotland%20201-4-2007.pdf>

However, if you are unable to access this guide and would like a copy, please contact, Sandy Walker.

9 Other matters

We have continued to attend to all statutory and administrative matters as required, including the completion and submission of VAT and Corporation Tax returns to HM Revenue & Customs.

There remain a number of issues that require to be dealt with in the Administration, including *inter alia*:-

- settlement of the preferential creditors' claims;

- review and response to correspondence received from creditors;
- continued investigation into the now highly unlikely prospect of the recovery of the inter-company debt due from KHL; and
- seeking the extension of the Administration by the Court by a further 12 months beyond the expiration of the current period on 5 February 2010 should more time be required to investigate the recoverability of the inter-company debt due, or to allow for the finalisation of any other outstanding matters.

Every effort will continue to be made to maximise realisations whilst it remains cost effective to do so.

Gary S Fraser
KPMG LLP
191 West George Street
Glasgow
G2 2LJ

13 October 2009

Appendix 1

Statutory and other information

Statutory and other information

Relevant court

Notice of the appointment by directors was lodged at the Court of Session on 5 February 2007.

Registered office and trading address

The Company's former registered office was situated at:-

Kelvin House
87 Calder Street
Coatbridge
Lanarkshire
ML5 4EY

As part of the Administration process, the registered office for the Company has been changed to:-

c/o KPMG LLP
191 West George Street
Glasgow
G2 2LJ

Company number

The company number is SC197862.

Appendix 2

Joint Administrators' receipts and payments accounts for the period 5 February 2007 to 4 August 2009

Kelvinkit Limited
(In Administration)
Administrators' Trading Account
To 04/08/2009

| S of A £ | £ | £ |
|----------------------------------|------------|-----------------|
| POST-APPOINTMENT SALES | | |
| Sales | 172,983.64 | 172,983.64 |
| PURCHASES | | |
| Purchases | 117,721.38 | (117,721.38) |
| OTHER DIRECT COSTS | | |
| Direct labour | 33,275.83 | (33,275.83) |
| TRADING EXPENSES | | |
| Rent | 3,375.00 | |
| Carriage | 5,200.00 | |
| Professional fees | 914.88 | |
| Petty Cash | 1,050.00 | |
| HP/Leasing payments | 1,062.21 | |
| Hire of equipment | 592.82 | |
| | | (12,194.91) |
| TRADING SURPLUS/(DEFICIT) | | 9,791.52 |

Kelvinkit Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 04/08/2009

| S of A £ | | £ | £ |
|---------------------|----------------------------------|------------|-------------------|
| | ASSET REALISATIONS | | |
| 20,000.00 | Equipment | 25,000.00 | |
| 20,000.00 | Stock | 20,507.68 | |
| 15,000.00 | Stock - work in progress | NIL | |
| 229,272.00 | Book debts | 204,449.33 | |
| | Goodwill | 225,000.00 | |
| | Tax refunds (pre-app'ent) | 6,345.81 | |
| | VAT refunds (pre-app'ent) | 18,580.12 | |
| | Insurance refund | 8,897.32 | |
| | | | 508,780.26 |
| | OTHER REALISATIONS | | |
| | Bank interest, gross | 10,667.27 | |
| | Miscellaneous income | 4,602.74 | |
| | Sundry refunds | 442.62 | |
| | Trading Surplus/(Deficit) | 9,791.52 | |
| | | | 25,504.15 |
| | COST OF REALISATIONS | | |
| | Specific bonds | 10.00 | |
| | Administrators' fees | 124,353.85 | |
| | Administrators' expenses | 1,520.85 | |
| | Agents'/Valuers' fees | 530.00 | |
| | Corporation tax | 2,643.00 | |
| | Professional fees | 17,689.18 | |
| | Heat & light | 3.60 | |
| | Statutory advertising | 481.95 | |
| | Bank charges | 1,958.54 | |
| | | | (149,190.97) |
| | PREFERENTIAL CREDITORS | | |
| | Employees' wage arrears | 5,906.75 | |
| | | | (5,906.75) |
| | FLOATING CHARGE CREDITORS | | |
| (535,545.00) | HSBC Bank plc | 230,000.00 | |
| | | | (230,000.00) |
| | UNSECURED CREDITORS | | |
| (622,724.00) | Trade creditors | NIL | |
| (403,268.00) | Loans | NIL | |
| (14,898.00) | PAYE | NIL | |
| | | | NIL |
| | DISTRIBUTIONS | | |
| 440,100.00 | Issued & called-up share capital | NIL | |
| | | | NIL |
| (852,063.00) | | | 149,186.69 |

Kelvinkit Limited
(In Administration)
Administrators' Abstract of Receipts & Payments
To 04/08/2009

| S of A £ | £ | £ |
|---------------------------|---|-------------------|
| REPRESENTED BY | | |
| Floating ch. VAT rec'able | | 2,450.98 |
| Fixed charge current | | 146,735.71 |
| | | <u>149,186.69</u> |

Appendix 3

Joint Administrators' time costs for the period 5 February 2007 to 4 August 2009

Ketivichki Limited (in administration)
Joint Administrators' fees and outlays for the period from 5 February 2007 to 4 August 2009

| Consolidated time spent by grade | | Partner/ Director | Management | Administrative/ Support | Total Hours | Time Cost | Ave hourly Rate |
|----------------------------------|---|-------------------|------------|-------------------------|-------------|-------------|-----------------|
| Charge out rate range (£) | | 380 - 485 | 275 - 365 | 90 - 205 | | | |
| Activity code | | | | | | | |
| Administration & planning | | | | | | | |
| | Fees and W/P | | | 5.40 | 5.40 | £1,001.00 | £202.04 |
| | Appointment and related formalities | | | 18.30 | 18.30 | £2,947.00 | £161.04 |
| | Mortgage and bondsmen | | | 0.60 | 0.60 | £120.00 | £200.00 |
| | Statutory receipts and payments accounts | | | 1.50 | 1.50 | £135.00 | £90.00 |
| | Strategy documents | | 13.00 | 5.40 | 18.40 | £5,374.74 | £292.11 |
| | Checklist & reviews | | 9.50 | 0.50 | 10.00 | £3,123.50 | £312.25 |
| Trading | Cash & profit projections & strategy | | 15.00 | | 15.00 | £4,125.00 | £275.00 |
| | Purchases and trading costs | | 23.00 | | 23.00 | £4,056.50 | £174.85 |
| | Sales | | 3.00 | 232.10 | 235.10 | £9,255.00 | £39.32 |
| | Debtors | | 10.00 | 50.00 | 60.00 | £9,452.15 | £157.52 |
| Realisation of assets | Leasehold property | | 2.10 | 2.50 | 4.60 | £1,039.60 | £225.86 |
| | Office equipment, fixtures & fittings | | 3.00 | 6.00 | 9.00 | £1,925.14 | £213.90 |
| | Plant and machinery | | 3.00 | 10.00 | 13.00 | £2,483.14 | £191.16 |
| | Staff of business | | 31.40 | 9.00 | 40.40 | £52,437.85 | £1,298.92 |
| Insurance | Stock and W/P | | 1.00 | 15.50 | 16.50 | £5,290.29 | £314.40 |
| Creditors | General administration | | 1.00 | 21.50 | 22.50 | £2,440.00 | £106.22 |
| | General correspondence | | 6.50 | 47.00 | 53.50 | £6,541.97 | £121.35 |
| | Notification of appointment | | 1.00 | 5.00 | 6.00 | £3,051.15 | £508.52 |
| | Report to debenture holders | | 46.00 | 1.00 | 47.00 | £12,845.00 | £273.30 |
| | Statutory reports | | 24.00 | 33.50 | 57.50 | £18,083.65 | £314.70 |
| | Creditors' committee | | 1.60 | 3.50 | 5.10 | £1,791.61 | £351.30 |
| Employees | Agreeing employee claims | | 7.50 | 3.50 | 11.00 | £4,000.00 | £363.64 |
| | Correspondence | | | 2.00 | 2.00 | £9,503.00 | £4,751.50 |
| | D11 redundancy payments service | | | 66.80 | 66.80 | £1,426.26 | £21.34 |
| | Pension funds | | | 6.10 | 6.10 | £1,003.00 | £164.43 |
| | Pension reviews | | | 4.30 | 4.30 | £731.00 | £170.00 |
| Tax & VAT | Initial reviews - CT and VAT | | 2.00 | 29.20 | 31.20 | £5,051.97 | £161.92 |
| | Post appointment corporation tax | | 10.70 | 12.00 | 22.70 | £6,931.46 | £305.35 |
| | Post appointment VAT | | 0.80 | 11.50 | 12.30 | £2,427.00 | £197.32 |
| Investigation | D form drafting and submission | | 9.00 | 4.00 | 13.00 | £3,100.00 | £238.46 |
| | Director's questionnaire / checklist | | | 3.50 | 3.50 | £682.50 | £195.00 |
| Cashiering | General (Cashiering) | | | 47.20 | 47.20 | £9,184.50 | £194.59 |
| | Reconciliations (& PS accounting reviews) | | | 4.40 | 4.40 | £881.00 | £200.23 |
| Total hours/ cost | | 71.90 | 374.00 | 685.70 | 1,031.60 | £227,758.00 | |
| | | | | | | | £224.18 |
| Expenses | | | | | | | |
| | Sundry Expenses | | | | | £1.39 | |
| | Car mileage | | | | | £372.40 | |
| | Hire car | | | | | £112.45 | |
| | Launch | | | | | £345.10 | |
| | Parking and tolls | | | | | £39.70 | |
| | Air travel | | | | | £401.14 | |
| | Rail travel | | | | | £17.00 | |
| | Taxis | | | | | £435.00 | |
| | Total Expenses | | | | | £2,124.18 | |

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.